

Message Text

LIMITED OFFICIAL USE

PAGE 01 GENEVA 03182 01 OF 02 281418 Z

43

ACTION EB-11

INFO OCT-01 EUR-25 IO-13 ADP-00 SSO-00 NSCE-00 USIE-00

AGR-20 CEA-02 CIAE-00 COME-00 DODE-00 FRB-02 H-02

INR-10 INT-08 L-03 LAB-06 NSAE-00 NSC-10 PA-03 RSC-01

AID-20 CIEP-02 SS-15 STR-08 TAR-02 TRSE-00 PRS-01

OMB-01 AF-10 ARA-11 EA-11 NEA-10 INRE-00 RSR-01 /209 W
----- 075006

O R 281315 Z JUN 73

FM USMISSION GENEVA

TO SECSTATE WASHDC IMMEDIATE 0081

INFO USMISSION EC BRUSSELS

LIMITED OFFICIAL USE SECTION 1 OF 2 GENEVA 3182

PASS STR

EO 11652: N/A

TAGS: ETRD, GATT, EC, US

SUBJ: EC- US ARTICLE XXIV:6 RENEGOTIATIONS

REF: GENEVA 3172

SUMMARY: USDEL SUGGESTS A PRESENTATION SHOWING EC
OFFER IS GROSSLY DEFICIENT IN AGRICULTURAL SECTOR AND
THAT US REQUESTS ARE REASONABLE IN RELATION TO CLAIMS
IN THAT SECTOR. END SUMMARY

1. THE PARAGRAPHS BELOW ARE INTENDED TO SHOW THAT THE
EC' S OFFER FOR AGRICULTURAL ITEMS LEAVES THE EC WITH
A CONSIDERABLE NET DEBIT TO THE US IN THE AGRICULTURAL
SECTOR AND THAT THE REQUESTS THE US IS MAKING (ASSUMING
THAT THEY ARE THOSE LISTED IN APPENDICES C AND D TO
AMBASSADOR EBERLE' S JUNE 1 MEMORANDUM TO CIEP REVIEW GROUP
MEMBERS
LESS CXT ITEMS 0406, 0701 DIA, 0701 DIB, 0905 AII, 2307 B,
LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 02 GENEVA 03182 01 OF 02 281418 Z

AND 2307 C). THIS REQUEST HAS A TRADE COVERAGE (UN-ADJUSTED) OF \$1,200 MILLION. IF GRAINS ARE EXCLUDED, THE TRADE COVERAGE OF THE REQUEST IS \$456 MILLION AND IF THE REQUEST WERE MET DUTIES COLLECTABLE ON NON-GRAIN ITEMS WOULD BE \$33.5 MILLION LESS THAN UNDER THE EC PROPOSAL.

A. INADEQUACY OF EC OFFER.

THERE CAN BE NO QUESTION THAT THE EEC OFFER FOR AGRICULTURAL PRODUCTS RESULTS IN A MARKED DISADVANTAGE TO THE US WHETHER VIEWED ON THE BASIS OF PURELY A STATISTICAL, EMPIRICAL, OR QUALITATIVE (ECONOMETRIC) EVALUATION. OVERALL, THE COMPETITIVE POSITION OF US AGRICULTURAL EXPORTS WILL DETERIORATE IN THE MARKETS OF THE NINE BECAUSE OF (1) A RISE IN THE LEVEL OF PROTECTION, ESPECIALLY THAT AFFORDED BY THE VARIABLE LEVY SYSTEM; AND (2) INCREASED AVAILABILITIES WITHIN THE ENLARGED EC AND IN COUNTRIES (HAVING ASSOCIATION STATUS WITH THE EEC) THAT BENEFIT FROM TARIFF TREATMENT AT OTHER THAN MFN RATES OF DUTY.

THE THREE APPLICANTS IMPORTED \$561 MILLION OF US AGRICULTURAL PRODUCTS (DEFINED AS BTN CHAPTERS 1-24, LESS CHAPTERS 3, 16 AND 22) IN THE 1970/71 BASE PERIOD. IN PRE- ACCESSION TERMS, \$382 MILLION (68 PCT) OF THIS TRADE WAS SUBJECT TO GATT BINDINGS: IN POST- ACCESSION TERMS ONLY 218 MILLION (39 PCT) WOULD BE PROTECTED BY GATT BINDINGS. SIGNIFICANTLY, 54 PERCENT OF THIS POST- ACCESSION BOUND TRADE WILL BE AT INCREASED RATES OF DUTIES, 30 PERCENT AT RELATIVELY THE SAME RATE OF DUTIES, AND ONLY 16 PERCENT AT DECREASED RATES.

FURTHERMORE, 38 PERCENT OF THIS TRADE REMAINING BOUND IN GATT AFTER EC ENLARGEMENT WOULD BE SUBJECT TO COMPETITION FROM PRODUCTION IN THE EC AND ASSOCIATED AREAS OF PRODUCTS SUCH AS TOBACCO, CITRUS, CITRUS JUICES, RAISINS AND CERTAIN CANNED FRUITS NOT PRODUCED IN THE ACCEDING COUNTRIES.

THE WEIGHTED AVERAGE DUTY COLLECTABLE BY THE THREE ACCEDING COUNTRIES ON ALL AGRICULTURAL IMPORTS FROM THE US WOULD HAVE BEEN 7.8 PERCENT IN PRE- ACCESSION TERMS, ASSUMING THAT GATT BINDING HAD BEEN APPLICABLE. LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 03 GENEVA 03182 01 OF 02 281418 Z

POST- ACCESSION, THE WEIGHTED AVERAGE OF DUTIES AND VARIABLE LEVIES COLLECTABLE, WOULD BE 36 PERCENT. ON A DUTY COLLECTION BASIS THE INCREASE WOULD EXCEED \$158 MILLION.

THE EC PROPOSES TO WITHDRAW BINDINGS ON \$222 MILLION OF US AGRICULTURAL PRODUCTS (LARGELY FEREEDGRAINS, WHEAT,

RICE AND LARD), MOST OF WHICH WILL FACE THE VARIABLE LEVY SYSTEM OF PROTECTION; THESE PRODUCTS HAVE A WEIGHTED AVERAGE INCIDENCE OF IMPORT CHARGES OF 67.3 PERCENT IN TERMS OF IMPORTS IN THE 1970/71 BASE PERIOD AND OF THE LEVY RATES THEN APPLICABLE.

THE WITHDRAWALS ARE TO BE OFFSETT ONLY IN PART WITH OFFERS OF NEW BINDINGS IN FIXED DUTY ITEMS COVERING \$58 MILLION OF US TRADE (FORMERLY UNBOUND) IN THE 1970/71 PERIOD. A SIGNIFICANT PART OF \$58 MILLION (35 PERCENT) WILL BE SUBJECT TO COMPETITION FROM PRODUCTION WITHIN AN EXPANDED EEC. ALSO OF THIS \$58 MILLION, 66 PERCENT (INCLUDING A PART OF US TOBACCO, ANIMAL FEEDS AND FRESH VEGETABLE TRADE) WILL BE BOUND AT HIGHER RATES OF DUTY THAN IN THE PRE- ACCESSION PERIOD A WEIGHTED AVERAGE DUTY OF 34 PERCENT WILL APPLY TO THIS \$38 MILLION OF NEWLY- BOUND TRADE, WHERE DUTIES ARE INCREASING, AS COMPARED WITH 7 PERCENT PRIOR TO ACCESSION.

OF THE REMAINING \$160 MILLION OF US TRADE (EXCLUDING THE \$121 MILLION WHICH IS TO REMAIN NOT BOUND), \$70 MILLION IS TO BE BOUND AT INCREASED RATES, \$62 MILLION AT THE SAME RATES, AND ONLY \$19 MILLION AT DECREASED RATES OF FIXED DUTIES. PRODUCTS SUBJECT TO INCREASED RATES OF DUTIES INCLUDE TOBACCO, CITRUS FRUIT AND MOST CANNED FRUITS AND JUICES. BASSIN

LIMITED OFFICIAL USE

NNNNMAFVVZCZ

ADP000

LIMITED OFFICIAL USE

PAGE 01 GENEVA 03182 02 OF 02 281446 Z

43

ACTION EB-11

INFO OCT-01 EUR-25 IO-13 ADP-00 SSO-00 NSCE-00 USIE-00

AGR-20 CEA-02 CIAE-00 COME-00 DODE-00 FRB-02 H-02

INR-10 INT-08 L-03 LAB-06 NSAE-00 NSC-10 PA-03 RSC-01

AID-20 CIEP-02 SS-15 STR-08 TAR-02 TRSE-00 PRS-01

OMB-01 AF-10 ARA-11 EA-11 NEA-10 INRE-00 RSR-01 /209 W

----- 075222

O R 281315 Z JUN 73

FM USMISSION GENEVA

TO SECSTATE WASHDC IMMEDIATE 0082

INFO USMISSION EC BRUSSELS

LIMITED OFFICIAL USE SECTION 2 OF 2 GENEVA 3182

PASS STR

OVERALL, 65 PERCENT OF TOTAL US TRADE WITH THE THREE APPLICANTS WILL FACE HIGHER LEVELS OF BORDER PROTECTION, 24 PERCENT LOWER RATES, AND 11 PERCENT THE SAME RATES. THIRTY- THREE PERCENT OF US AGRICULTURAL TRADE WITH THE ACCEDING COUNTRIES WILL BE SUBJECT TO VARIABLE LEVIES. WITH DUE CONSIDERATION GIVEN TO GATT COMMITMENTS, THE NET COMPENSATION DUE THE US ON A TRADE COVERAGE BASIS WOULD TOTAL \$263 MILLION (UNADJUSTED) ON THE BASIS OF ACCEDING COUNTRY IMPORTS IN THE 1970/71 PERIOD. WHEN ADJUSTMENT IS MADE FOR EFFECTS OF THE NON- TARIFF RESTRICTIONS ON GRAINS IN THE UK AND DENMARK AND ON FRESH APPLES AND PEARS AND ORANGE AND GRAPEFRUIT JUICES IN THE UK, NET COMPENSATION DUE, A PRELIMINARY ESTIMATE INDICATES IS ABOUT \$500 MILLION IN TRADE COVERAGE TERMS, 1970/71 PERIOD.

IT IS CLEAR FROM THE FOREGOING THAT THE QUALITY OF THE CONCESSIONS ON AGRICULTURAL PRODUCTS CONTAINED IN THE EC OFFER TO DATE DO NOT REMOTELY COMPENSATE THE LIMITED OFFICIAL USE LIMITED OFFICIAL USE

PAGE 02 GENEVA 03182 02 OF 02 281446 Z

US EITHER FOR THE OVERALL DISADVANTAGES RESULTING FROM THE REPLACEMENT OF THE NATIONAL CUSTOMS TREATMENT OF THE 3 WITH THE CXT OR FOR THE REPLACEMENT OF GATT BINDINGS PROPOSED FOR WITHDRAWAL BY THE EC OF NINE.

IN THE GRAINS AREA OFFICIAL AND NON- OFFICIAL STUDIES CONCLUDE THAT THE " THREE" WILL BECOME NET EXPORTERS OF GRAIN UNDER A CAP ASSUMPTION RATHER THAN NET IMPORTERS OF ABOUT 15 MILLION TONS (\$975 MILLION) HAD THE UK RETURNED TO THE FULL APPLICATION OF GATT BINDINGS AND DENMARK AND IRELAND CONTINUED PRESENT POLICIES. WE FORESEE THE VIRTUAL DISAPPEARANCE OF OUR LARD TRADE IN THE UK, WHICH IN 1970/71 AMOUNTED TO OVER \$30 MILLION. EXPORTS OF OTHER IMPORTANT US AGRICULTURAL PRODUCTS, E. G., TOBACCO, CITRUS AND CANNED FRUITS AND VEGETABLES, WILL SUFFER NEW COMPETITIVE DISADVANTAGES IN THE MARKETS OF DENMARK, IRELAND AND THE UK AFTER THEIR ACCESSION TO THE EC.

B. US AGRICULTURAL CLAIMS. THE TOTAL US CLAIM FOR THE AVERSE MODIFICATION OR LOSS OF CONCESSIONS IN THE SCHEDULES OF THE THREE APPLICANTS, HOWEVER, WOULD AMOUNT TO \$304 MILLION (ACTUAL TRADE) HAD THE US SUBMITTED A CLAIM ON EACH ITEM IN WHICH IT HAD A GATT INTEREST. CLAIMS ACTUALLY SUBMITTED TOOK INTO ACCOUNT " COMPENSATION ALREADY AFFORDED BY THE REDUCTIONS BROUGHT

ABOUT IN THE CORRESPONDING DUTY OF THE OTHER CONSTITUENTS OF THE UNION," AND IN TERMS OF THE CXT, COMPRISED 160 ITEMS. THEY COVER ONLY \$284 MILLION OF IMPORTS FROM THE US WHICH, IN LIGHT OF THE NON- APPLICATION IN THE BASE PERIOD OF CONCESSIONS ON GRAINS IN THE UK AND DENMARK AND ON APPLES AND PEARS, AND ORANGE AND GRAPEFRUIT JUICE IN THE UK, SHOULD REASONABLY BE ADJUSTED UPWARDS. A PRELIMINARY ESTIMATE PUTS THE ADJUSTED CLAIM AT \$518 MILLION.

OF THE TOTAL US AGRICULTURAL CLAIMS, GRAINS AS A GROUP (BREADGRAINS, FEEDGRAINS, AND RICE) COMPRISED \$165 MILLION (ACTUAL TRADE) AT \$379 MILLION (ADJUSTED TRADE) AND FOR NON- GRAIN PRODUCTS COMPRISED \$119 MILLION (ACTUAL TRADE) OR \$139 MILLION (ADJUSTED TRADE). THE US IS WILLING TO TREAT SEPARATELY THE SETTLEMENT OF THAT PROTION OF ITS CLAIM FROM THE WITHDRAWAL OF GRAIN LIMITED OFFICIAL USE
LIMITED OFFICIAL USE

PAGE 03 GENEVA 03182 02 OF 02 281446 Z

CONCESSIONS. THIS IS THE MAJOR PART OF THE US CLAIM IN AGRICULTURE.

C. US AGRICULTURAL REQUESTS. OF THE 160 CXT ITEMS IN THE US CLAIM LIST 151 ARE NON- GRAINS POSITIONS. THE US IS REQUESTING CONCESSIONS ON ONLY 64 OF THESE TARIFF LINE ITEMS. THEY HAD A TRADE COVERAGE INTO THE THREE OF \$223 MILLION AND INTO THE NINE OF \$456 MILLION. THE US IS NOT REQUESTING CONCESSION ON 87 NON- GRAINS CLAIM ITEMS WHICH HAVE A TRADE COVERAGE INTO THE " THREE" OF \$20 MILLION AND \$94 MILLION INTO THE " NINE." ON ALL THESE CLAIM ITEMS OMMITTED FROM THE US REQUEST LIST, BINDINGS ARE BIENG WITHDRAWN OR BEING REPLACED AT HIGHER RATES OF DUTY.

THE TRADE COVERAGE OF US REQUESTS ON NON- GRAIN ITEMS (\$456 MILLION) IS 3-1/3 TIMES THE TRADE COVERAGE OF US CLAIMS (\$139 MILLION) ON SUCH ITEMS. HOWEVER, THE " QUALITY" OF THE REQUESTS MUST BE TAKEN INTO CONSIDERATION. ALL 73 ITMES IN THE REQUEST LIST WERE SELECTED FROM THE CLAIMS LIST AND FOR 15 ITEMS THE REQUEST IS FOR THE CXT OF NINE TO BE BOUND AT DUTY RATES THAT ARE EQUAL TO OR GREATER THAN THE WEIGHTED AVERAGE OF THE DUTIES AND CHARGES ON IMPORTS FRO THE US INTO THE NINE IN THE BASE PERIOD. THE REQUESTS MAY LOOK LARGE IN RELATION TO TRADE COVERAGE, BUT IF THEY WERE MET THEY WOULD MERELY REDUCE THE DISADVANTAGES US EXPORTS OF AGRICULTURAL PRODUCTS WILL FACE.

WHEN IT IS RECALLED THAT THE PROPOSED WITHDRAWALS OF CONCESSIONS AND INCREASES IN BOUND DUTIES IN THE AGRICULTURAL SECTOR WILL GRAVELY PREJUDICE IMPORTANT SECTORS OF US EXPORTS, THE US SUBMITS THAT ITS REQUEST THAT THE EC MODIFY ITS PROPOSALS FOR SOME OF THE ITEMS AGGECTED IS FULLY JUSTIFIED AND EMINENTLY REASONABLE. BASSIN

LIMITED OFFICIAL USE

NNNNMAFVVZCZ

*** Current Handling Restrictions *** n/a

*** Current Classification *** LIMITED OFFICIAL USE

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: n/a
Control Number: n/a
Copy: SINGLE
Draft Date: 28 JUN 1973
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: golinofr
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1973GENEVA03182
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: n/a
Errors: n/a
Film Number: n/a
From: GENEVA
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1973/newtext/t19730632/aaaajtcu.tel
Line Count: 282
Locator: TEXT ON-LINE
Office: ACTION EB
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 6
Previous Channel Indicators:
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: 73 GENEVA 3172
Review Action: RELEASED, APPROVED
Review Authority: golinofr
Review Comment: n/a
Review Content Flags:
Review Date: 03 OCT 2001
Review Event:
Review Exemptions: n/a
Review History: RELEASED <03-Oct-2001 by thigpegh>; APPROVED <01-Nov-2001 by golinofr>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: <DBA CORRECTED> srp 980304
Subject: EC- US ARTICLE XXIV:6 RENEGOTIATIONS
TAGS: ETRD, EC, US, GATT
To: EB
SECSTATE WASHDC INFO EC BRUSSELS
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005